Independent Forestry Panel

Public submission

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Independent Forestry Panel Submission – Koppers Wood Products

Koppers welcomes the opportunity to engage with the Independent Forestry Panel and other key stakeholders on the role that hardwood timber poles, and a sustainable native forestry industry, continue to play in maintaining the State's critical electricity distribution network.

Koppers Wood Products Pty Ltd – Background

Koppers Wood Products is Australia's largest supplier of treated hardwood poles to electricity distribution utilities. Koppers Wood Products is part of the Koppers Group of Companies with headquarters in Pittsburgh USA.

For over 50 years we have been sourcing and treating timber from the New South Wales North Coast and hinterland.

Koppers has four treatment plants in Australia, with our plant at Grafton being the largest and strategically most significant.

Koppers directly employes 30 people at the Grafton site with a substantial reliance upon local contractors and suppliers and a contribution to the local economy in excess of $25 million per annum (including timber purchases from both private property owners and FCNSW).

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Sustainability of current and future forestry operations in NSW

Historically Forestry Corporation of NSW (FCNSW) has provided a reliable source of hardwood timber poles for Koppers Wood Products (KWP) to service the Australian electricity distribution network utilities with its powerline maintenance and new line requirements, as well as rapidly respond to emergency events such as bushfires and other high impact weather events. However, supply over the past two years has seen a dramatic decline from FCNSW causing 30% reduction in KWP inventory levels. The vastly reduced inventory level has left KWP with a significantly impacted ability to meet demand with a lack of flexibility and depth of stock across most sizes. The resultant inventory levels leave KWP with a far lesser capacity to serve the network utilities through emergency crisis events not to mention fulfil our contract obligations allowing our customer base to meet their regulatory network maintenance and pole replacement requirements.

KWP have three Wood Supply Agreements with FCNSW, all of which are classified as Type B agreements. This means FCNSW has the reduced supply obligation to maintain supply on a "*reasonable endeavours*" basis only. Poles – as a long-standing forest product and the only forest product required for a critical-end use and community owned asset, also provides FCNSW with one of the highest returns from our public asset. At the same time, hardwood timber poles are still the preferred choice of pole type by our network utilities and as such a highly sought after product. For these reasons KWP is advocating for the status of Pole Wood Supply Agreements to be elevated to a level above their current standing and above Type A Agreements with a form of guaranteed supply performance tied into the new Agreement.

Koppers Wood Products Pty Ltd has Chain of custody certification under AS4707, verifying the distribution chain of wood products from a certified forest to the end user. This demonstrates that the timber purchased and processed is from certified forests managed using agreed sustainable practices.

Forest certification schemes independently verify timber as being from a forest that has been managed sustainably as per an agreed standard. Chain of Custody Certification schemes then provide an auditable system to track wood products from the certified forest, through the processing and marketing channels, to the final user. Both the forest certification schemes, and the chain of custody certification schemes work towards reducing illegal logging activities globally.

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Environmental and cultural values of forests, including threatened species and Aboriginal cultural heritage values

Hardwood timber poles make up a very small proportion of total timber production on State Forests (about 6%) yet is one of the highest royalty returning products to FCNSW. Pole production can be seen as a low impact high return selective logging operation (in some cases) where environmental, cultural and ecological values can be further protected. Where conditions are appropriate KWP are supportive of and can contribute to responsible harvesting practices that leave a lesser impact to the forest area of operations, and a targeted selective harvesting operation targeting high value products such as Poles would be a beneficial initiative that raises the value return from the forest while protecting its environmental and cultural values.

As part of the industry Reconciliation Action Plan (RAP) the integration of the need for conservation for cultural heritage values and continuing to realize commercial objectives from FCNSW forest operations, KWP would be supportive of low impact Pole only harvesting operations that vastly reduce the impact on the forest environment and cultural value of the forest from its operations. Any low impact Pole only harvesting operations could take a primary position in KWP's own RAP and provide a positive outcome story to highlight the justifiably high importance of recognizing the dual purposes of NSW's publicly owned forests, such as those managed by FCNSW.

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Demand for timber products, particularly as relates to NSW housing, construction, mining, transport and retail

The Koppers Wood Products business is primarily focused on supporting electricity distribution utilities. We have been treating hardwood timber poles at our Grafton Plant for well over 50 years and supplying hardwood timber Poles to the electricity network utilities across Australia, New Zealand and the near Pacific Islands.

Koppers also provide treated hardwood poles to Councils, community venues, and several heritage value public use structures such as jetties, wharves and other foreshore access areas and are increasingly used for native fauna refuge and crossing poles on our highways.

The electricity distribution infrastructure continues to age and as such there is steady demand for continued supply of treated hardwood poles to, literally, keep the lights on.

Hardwood timber pole supply summary

There are approximately 82,000m3 of hardwood timber poles produced in Australia each year, summarized as follows:

Tenure	NSW	QLD	TAS	Total
State Forest	32,000	12,000	4,000	48,000
Private Property	28,000	6,000	0	34,000
Total	**60,000**	**18,000**	**4,000**	**82,000**

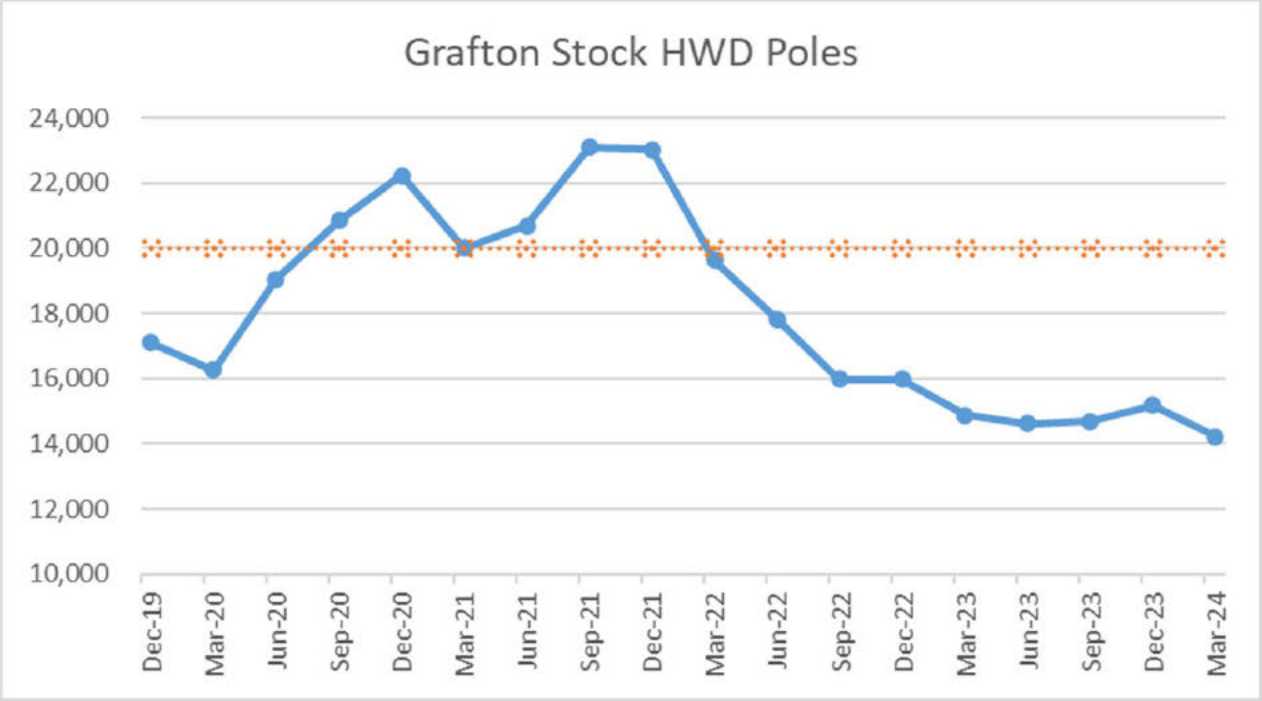
NSW represents by far the highest proportion of these poles at 73%:

Tenure	NSW	QLD	TAS	Total
State Forest	39%	15%	5%	59%
Private Property	34%	7%	0%	41%
Total	**73%**	**22%**	**5%**	**100%**

Of total hardwood timber pole supply in NSW, State Forests represents 53%:

Tenure	NSW
State Forest	53%
Private Property	47%
Total	**100%**

Koppers has traditionally held large stock levels of finished goods that have been able to support network rebuilds in the aftermath of natural disasters. With reduced supply from FCNSW and increased demand over the last 4 years Koppers' stock levels have diminished significantly and this ability to respond to demand shocks is greatly reduced.



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The future of softwood and hardwood plantations and the continuation of Private Native Forestry in helping meet timber supply needs

The utility companies prefer, in terms of importance, Durability Class 1 before Durability Class 2 poles as the in-service life expectancy for Durability Class 1 poles can be as much as 20+ years longer. Whilst hardwood plantations do play an important part in the supply of timber poles, the timber industry hasn't been able to successfully grow Durability Class 1 poles in plantations.

To date there are only two utility companies in Australia using some softwood poles, namely Energy Queensland in Queensland and Western Power in Western Australia.

Therefore, Private Native Forests (PNF) in NSW continues to play an important role in the supply of hardwood timber poles now and in the future. However, there are a few key issues that must be considered that limit their effectiveness in supply:

1. Only 10% of poles longer than 18.5m come from PNF therefore any limitation of supply from FCNSW places pressure on the PNF resource that just cannot supply that demand.
2. Private property owners can be highly variable in when they choose to, or not to harvest their property with some of those reasons being seasonality, financial needs, cattle prices, return on investment and in cases that seem to be occurring more often is locking up forests for lifestyle change. These all create an imbalance in sustainable supply which causes challenges such as inconsistent supply, price variability, declining availability of resource etc.
3. PNF do not have the flexibility of resource when compared to FCNSW in terms of species mix, where PNF supply is dominated by Durability Class 2 species being Spotted Gum, Blackbutt and Tallowwood (57%).
4. PNF resource does not have as much resource flexibility and is estimated to contribute approximately 45% of all hardwood timber poles.
5. While PNF should be properly approved and responsibly managed it is important to recognize its value to private landowners, their rights and requirements for a reasonable return from their asset. KWP are advocating for PNF operations to be allowed to prosper and deliver a fair return to the owner, and so not become hindered by ever increasing administrative applications and approvals processes that add no value and/or reduce the incentive for PNF owners to pursue the returns to which they are entitled.

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The role of State Forests in maximising the delivery of a range of environmental, economic and social outcomes and options for diverse management, including Aboriginal forest management models

State Forests in NSW have over 14 different species of trees that are certified for use as a hardwood timber pole, 9 of which only grow in native forests and many of which are classified as Durability Class 1 species.

Utility companies across Australia have traditionally sought hardwood timber poles for their versatility.

Hardwood timber poles make up approximately 6% of the total volume of timber harvested on State Forests, and the vast majority of timber pole demand fit within the salvage grade sawlog or high-quality small sawlog grade range where the difference in royalty can be as much as eightfold higher, in favour of poles.

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Opportunities to realise carbon and biodiversity benefits and support carbon and biodiversity markets, and mitigate and adapt to climate change risks, including the greenhouse gas emission impacts of different uses of forests and assessment of climate change risks to forests.

Hardwood timber poles have many benefits and include:

- The most cost effective and environmentally friendly solution for power poles
- Treated timber poles last more than 50 years and are the preferred choice for utility companies
- Timber poles are a natural insulator
- Strong, robust and durable
- Compatible with existing utility asset base
- Lower whole of life maintenance and end of life disposal costs
- Low carbon embodiment (timber is a carbon store) and grown and produced locally in NSW (less transport distances also an environmental positive compared to alternatives with imported materials.)
- Sourced from renewable sustainable forests – managed native regrowth and plantation
- Lower emissions (cleaner supply chain – less transport, less energy, less emissions)
- < 5% waste (there is very little waste material generated in timber pole production)
- Timber is a sustainable, renewable resource
- Koppers has been responsive in crisis supply situations brought about by natural disasters
- Timber poles are cheaper than alternatives by 3-5 times

As the push to decarbonisation of our economy gathers momentum, we want to point out a singular important fact about our small corner of the industry. The use of native hardwood electricity poles from the North Coast of NSW results in a net climate benefit five times greater than using concrete or steel transmission poles. (*Forests, Plantations, Wood Products & Australia's Carbon Balance; Forest and Wood Products Australia; July 2023*).

Production of a timber utility pole requires minimal manufacturing and therefore has a low embodied energy. Typically, substituting one cubic metre of timber for one cubic metre of solid material like concrete will divert approximately one tonne of carbon dioxide from the atmosphere (Reid, 2004).

From an environmental perspective, the 'whole-of-life' impact of timber is low. A properly treated timber pole will last in excess of 50 years in service.

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Approximately half of the dry weight of a tree's wood is carbon which is stored in its wood until the tree decomposes. Australian forests sequester (absorb) approximately 10 percent of Australia's greenhouse gases per year (Forest and Wood Products Research and Development Corporation, 2006).

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